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C O N F I D E N T I A L MOSCOW 005703

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STATE FOR EUR/RUS, EEB/IFD
TREASURY FOR MEYER, TORGERSON
NSC FOR WARLICK

E.O. 12958: DECL: 12/04/2017
TAGS: EFIN ECON RS
SUBJECT: KUDRIN'S PLEA UNSUCCESSFUL; STORCHAK STILL DETAINED

REF: A. MOSCOW 5525

¶B. MOSCOW 5459

Classified By: Ambassador William J. Burns, Reasons 1.4 (b/d).

Summary

¶1. (C) Deputy Finance Minister Sergey Storchak remains
incarcerated after a Moscow City Court denied a defense
appeal to have his November 15 arrest overturned. Neither
Deputy Prime Minister Aleksey Kudrin's petition requesting
Storchak's release from custody (Ref A) nor the defense
team's plea for his release on medical grounds proved
successful. Following these proceedings, an Investigations
Committee representative announced that a new charge of
exceeding authority, under Article 286 of the Criminal Code,
would be brought against Storchak in connection with the
latter's involvement in Soviet-era debt relief negotiations
with Kuwait. Finance Minister Kudrin signed this debt relief
deal in May 2005. End Summary.

Appeal Denied

¶2. (U) Deputy Finance Minister Sergey Storchak's defense
team appealed to a Moscow City Court to overturn the Moscow
Basmanny Court's sanction of Storchak's November 15 arrest
(Ref B). According to accounts of the hearing, the defense
team focused on the importance of Storchak's achievements on
behalf of the broader GOR, namely in paying down much of
Russia's foreign debt early and saving billions in interest
payments. The defense also argued that Storchak suffered
from a longstanding heart condition that his current
detention facility would not be able to treat.

¶3. (U) Prosecutors observed that the defense did not argue
the legal merits of the Basmanny Court's decision and that
Storchak should, therefore, remain in custody. Prosecutors
used the same line of reasoning regarding Deputy Prime
Minister Kudrin's late-November petition requesting
Storchak's release. Kudrin's letter guaranteeing Storchak's
cooperation with the investigation was reported to have
emphasized "the significance of Storchak's work in the
development of Russia's economy." The three-judge panel
ruled in the prosecution's favor, dismissing the medical
grounds and Kudrin's personal plea for Storchak's release
from custody. The defense team announced its intention to
appeal the Moscow City Court's decision.

Charge of Exceeding Authority

¶4. (U) Following the conclusion of the Moscow City Court's
ruling, Investigations Committee representative Vladimir
Markin announced that an additional criminal charge was being
brought against Storchak. Without offering details, Markin
said that Storchak would be charged under the Criminal Code's
Article 286, part 1 for exceeding his authority in connection
with Soviet-era debt relief negotiations with Kuwait.
According to Markin, prosecutors had already prepared to
combine this charge with the charges of attempted large scale
fraud which had been formally presented on November 23.
(Note: Finance Minister Kudrin signed the Soviet-era debt
relief agreement with Kuwait's Energy Minister Ahmed Fahad
al-Ahmad as-Sabah on May 30, 2005. Under the USD 1.6 billion
negotiated settlement, which Storchak had led, Russia agreed
to pay USD 1 billion in cash and the USD 600 million in
interest accumulated since 1991 on that amount in the form of
machine-building technology. End Note.)

Comment

¶5. (C) Storchak's on-going incarceration continues to fuel
rumors of rifts within the ruling elite. The real target of
the arrest is clearly Kudrin, whom many see as the most
senior "liberal" left in the government. Despite his recent
promotion and close ties to Putin, Kudrin's position appears
to have been weakened by the Storchak affair. All the more
so because, having made it personal, Kudrin has so far failed
to secure his deputy's release.
BURNS